

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6756

BILL NUMBER: HB 1119

NOTE PREPARED: Feb 21, 2008

BILL AMENDED: Feb 21, 2008

SUBJECT: Public Safety Retiree Reemployment.

FIRST AUTHOR: Rep. Austin

FIRST SPONSOR: Sen. Weatherwax

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill:

- (1) Allows an appointing authority to grant a leave of absence to a police officer or firefighter for service in an elected office;
- (2) Provides that the leave does not diminish the officeholder's retirement or pension fund rights or advancement on the officeholder's department salary schedule;
- (3) Requires an officeholder to pay the assessment or contribution to the officeholder's pension fund for the period of the leave in order to receive service credit in the fund for the leave;
- (4) Authorizes the officeholder's employer to pay all or a part of the assessment or contribution for the officeholder;
- (5) Allows a retired member of the 1925 Police Pension Fund (1925 Fund), the 1937 Firefighters' Pension Fund (1937 Fund), the 1953 Police Pension Fund (1953 Fund), or the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) to:
 - (A) be rehired, not less than 30 days after retirement, by the same unit that employed the member as a police officer or firefighter for a position other than that of a full-time, fully paid police officer or firefighter; and
 - (B) continue to receive a retirement benefit from the 1925 Fund, 1937 Fund, 1953 Fund, or 1977 Fund; and
- (6) Provides that the reemployment provisions may be implemented only if the local board (for the 1925, 1937, and 1953 funds) or the PERF Board (for the 1977 Fund) receives from the Internal Revenue Service any rulings or determination letter that the local board or the PERF Board considers necessary or appropriate.

Effective Date: July 1, 2008.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:(Revised) (1) Allowing an appointing authority to grant a leave of absence to a police officer or firefighter for service in an elected office will have an indeterminable impact on the respective funds and will depend upon the number of such cases and the salary involved. For example, granting the leave may require the hiring of an additional person to fill the position which otherwise would not occur.

(2) Providing that the leave does not diminish the officeholder's retirement or pension fund rights or advancement on the officeholder's department salary schedule will have an indeterminable impact on the respective funds and will depend upon the number of such cases, the salary involved, and the numbers of years in the respective pension fund.

(3) Requiring an officeholder to pay the assessment or contribution to the officeholder's pension fund for the period of the leave in order to receive service credit in the fund and (4) authorizing the officeholder's employer to pay all or a part of the assessment or contribution for the officeholder will have an indeterminable impact and will depend upon whether the officeholder currently contributes toward his pension. In some jurisdictions, the employer already picks up both the employee and the employer share.

(5) and (6) Currently, retired members of the affected funds are precluded from returning to work at the same employer from which they retired, based on the Internal Revenue Service (IRS) "separation of service concept" which means a real retirement must occur. Allowing a retired member to return to work with the same employer and continue to receive a retirement benefit from the fund from which they retired will continue the benefit cost to the affected fund that otherwise would have terminated. The impact will depend upon the number of retired members who avail themselves of this provision, their annual benefit, and if the appropriate board receives from the IRS a ruling or determination letter that the local board or the PERF Board considers necessary or appropriate.

Background Information: In CY 2006, the 1925 Fund, the 1937 Fund, and the 1953 Fund had a total of 8,750 retired members with an average annual benefit of \$21,200. The 1977 Fund had 2,127 retired members with an average annual benefit of \$18,200.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

Local Agencies Affected: Units with members in the various funds.

Information Sources: 2006 *Indiana Pension Handbook*, pages 152 and 172.

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